

SUNBORN



GIBRALTAR



QUARTERLY REPORT, Q4 2017
28/2/2018

sunborn

KEY FIGURES SUNBORN GIBRALTAR LTD

GBD thousand	1 Oct - 31 Dec 2017	1 Oct - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income	1 250	675	3 500	2 700
EBITDA	1 237	566	3 283	2 265
Yacht Hotel (book value)	90 154	93 583	90 154	93 583
Total Equity	1 923	5 826	1 923	5 826
Bond	51 459		51 459	
Intercompany loan	40 997	40 997	40 997	40 997

KEY FIGURES SUNBORN GIBRALTAR RESORT LTD

GBD thousand	1 Oct - 31 Dec 2017	1 Oct - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Turnover	2 524	2 456	11 122	10 243
EBITDA before rent	574	592	3 601	2 869

CHIEF EXECUTIVE DIRECTOR, HANS NIEMI

The underlying lease income from the operating partner Sunborn Gibraltar Resort Ltd in Q4 2017 was according to our expectations. The operating company faced exceptional circumstances in Q4 2017 due to the unexpected bankruptcy of Monarch Airlines on 2nd October. As a major airline serving Gibraltar airport, The Monarch bankruptcy caused disruption to clients travel to and from Gibraltar and resulted in room booking cancelations amounting to GBP 421K for the period October to December reducing budgeted revenue and performance for Q4. We are expecting the disruption to be temporary but impact business until 2Q 2018, by when the majority of the slots from Monarch are expected to have been replaced by other carriers, British Airways and Easyjet, both having announced major increases in flights to Gibraltar since Monarch's closure.

The Sunborn Gibraltar Yacht hotel is well positioned in the market enjoying excellent ratings and has continued its top position in Gibraltar. The Gibraltar hotel market in general is doing well and we expect the current favorable trading condition to exist for the foreseeable future.

The company prepares its accounts and quarterly reporting according to Gibraltar GAAP until the Bond has been listed on NASDAQ Stockholm after which the reporting will prepared in accordance with IFRS and made available according to the rules and regulations of NASDAQ Stockholm."

GENERAL

Sunborn Gibraltar Ltd owns a luxury yacht hotel "Sunborn Gibraltar" docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn Gibraltar Resort Ltd. The hotel operations of the yacht hotel Sunborn Gibraltar are run by management company Sunborn Gibraltar Resort Ltd in accordance with the lease contract. The yacht hotel is equipped with 189 cabins, including 22 suites, conference and ball room facilities for up to 400 delegates, two major restaurants, three bars, casino and lounges inside the yacht hotel. Sunborn Gibraltar's sole operation consists of acting as a lessor of the yacht hotel. Sunborn Gibraltar Ltd had no employees on 2016 and 2017.

SUNBORN GIBRALTAR LTD FINANCIAL SUMMARY 1 JANUARY - 31 DECEMBER 2017

Sunborn receives lease income from the management company. Lease income was 3,5 M€ in 2017 (2,7 M€ in 2016). The value of the Yacht hotel is unchanged at 129,0 M€ according the latest valuation report. The next valuation report will be available 1Q 2018.

SUNBORN GIBRALTAR RESORT LTD FINANCIAL SUMMARY 1 JANUARY - 31 DECEMBER 2017

Hotel was performing well with turnover in 1-12 2017 amounting to 11,1 M€ (10,2 M€) and increased by 8,6 % YoY. ADR increased in Q4 by 9 % compared to Q4 2016. Revpar for Q4 was slightly worse than previous year -0.7 % attributable to the Monarch cancelations but Revpar for the whole financial year however was improved by +15 % despite the underperformance of Q4.

NOTABLE EVENTS DURING THE REPORTING

As at 6 September 2017 the Company issued senior secured bonds with nominal amount of EUR 58 million to certain qualified institutional investors mainly to finance the existing debt. The bonds are denominated in euros and mature by 5 September 2022. The contractual interest is 5.0 % plus 3-month Euribor.

From 1st October 2017 Sunborn Resorts incorporated the La Sala restaurant into hotel food and beverage department.

2nd October 2017 Monarch Airlines announce bankruptcy and all flights to and from Gibraltar were cancelled causing cancellations amounting to £421K for the period October to December. We are expecting the disruption to be temporary but will impact business until 2Q 2018, by when the majority of the slots from Monarch are expected to have been replaced by other carriers, British Airways and Easyjet, both having announced major increases in flights to Gibraltar since Monarch's closure.

During the reporting period, exchange rates continued to be volatile. According to Sunborn's financial strategy, the management of the company closely monitors the development of the GBP/EUR exchange rate and on 5 October 2017 decided to enter into a EURGBP open window forward rate contract for period 5th October 2017 until 29th September 2018 for an amount corresponding to the bond coupon payments to be made in these periods.

BUSINESS ENVIRONMENT

No significant changes in business environment.

Issuer continued to be a SPV with no other purpose than owning the Sunborn Gibraltar Yacht hotel. The vessel is leased out to Sunborn Gibraltar Resort Ltd through an internal bareboat agreement between the Issuer. Sunborn Gibraltar Resort Ltd paid Sunborn Gibraltar Ltd a fixed sum of GBP 250,000 per month in lease and additional rent GBP 500,000 in December.

Customer satisfaction continues to be excellent reflected in the current score of 9.1/10 on Booking.com, 9.2/10 on Hotels.com and 4.6/5 on Expedia.

ESTIMATE FUTURE DEVELOPMENT

The company estimates that its financial performance and debt service capacity will remain stable.

NOTABLE EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event to report.

SHORT-TERM RISKS AND UNCERTAINTIES

The Company's financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk.

The Company is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP. The risk of depreciation of the GBP against EUR and its possible negative impact on the returns is hedged. Floating interest rate risk has not been hedged.

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

SUNBORN (GIBRALTAR) LIMITED

UNAUDITED INCOME STATEMENT for Twelve Months to December 2017

	Unaudited 2017 £	Audited 2016 £
Revenue	3 500 000	2 700 000
Administrative expenses	(217 312)	(435 103)
Audit Fees		22 480
Other Expenses	217 312	412 623
EBITDA	3 282 688	2 264 897
Depreciation	(3 481 622)	(3 481 622)
Operating Profit / (Loss)	(198 934)	(1 216 725)
Foreign exchange (loss)/gain	(2 055)	(3 782 798)
Interest payable and similar charges	(3 702 461)	(3 473 419)
Bond issue transaction Fees	125 060	
Interest payable to Group	614 954	409 969
Loan Interest to others	2 100 862	3 063 450
Bond Interest	861 585	
Profit/(loss) on ordinary activities before taxation	(3 903 450)	(8 472 942)

SUNBORN (GIBRALTAR) LIMITED

Unaudited Balance Sheet as at 31 December 2017

	Unaudited		Audited
	31 December 2017		31 December 2016
	£	£	£
Tangible Fixed Assets		90 153 690	93 582 366
Non Current Assets			
Prepaid Bond Transactions	1 782 115	1 782 115	
Current Assets			
Trade and other receivables	1 519 928		269 563
Deposits and Cash	1 215 817		-
Cash at bank	351 736		11 924
		3 087 481	281 487
Current Liabilities			
Trade payables	369 225		
Inter company liabilities	274 843		
		644 068	(642 146)
Current Assets less Current Liabilities:		2 443 413	(360 659)
Total Assets less Current Liabilities:		94 379 217	93 221 707
Long Term Liabilities		92 456 251	87 395 290
Payable to Sunborn International OY	40 996 911		
Bond Issue	51 459 340		
Total Assets less Total Liabilities:		1 922 966	5 826 417
Capital & Reserves			
Share Capital		3 000	3 000
Share premium		15 604 000	15 604 000
Reserves		(9 780 583)	- 1 307 640
P & L Account		(3 903 450)	- 8 908 045
		1 922 966	5 391 315

SUNBORN (GIBRALTAR) LIMITED

Statement of cashflow for Twelve Months to December 2017

	Unaudited YTD £
Operating loss	(198 934)
Adjusted for:	
Depreciation	3 481 622
Foreign exchange loss/gain	(2 055)
Other Creditors increase / (decrease)	1 922
Other Debtors (increase) / decrease	(3 032 479)
Cashflow from Operating activities	<u>250 076</u>
Interest paid	(3 702 461)
Servicing of finance	<u>(3 702 461)</u>
Taxation	-
Payments to acquire tangible fixed assets	(52 946)
Receipts from sale of fixed assets	-
Capital expenditure	<u>(52 946)</u>
Loans - net	5 060 961
Dividends	-
Funding	<u>5 060 961</u>
Net increase in Cash	1 555 629
Opening cash balance	11 924
Closing cash balance	<u><u>1 567 553</u></u>

SUNBORN (GIBRALTAR) RESORT LIMITED

UNAUDITED INCOME STATEMENT for Twelve Months to December 2017

	Unaudited 2017 £	Audited 2016 £
REVENUE	11 121 846	10 242 518
Cost of Sales	1 116 080	1 148 707
GROSS PROFIT	10 005 766	9 093 811
Expenses	6 404 965	6 224 926
EBITDA	3 600 801	2 868 885
Lease Expense	3 500 000	2 700 000
Depreciation	79 668	86 971
Profit/(loss) on ordinary activities before taxation	21 133	81 914

SUNBORN (GIBRALTAR) RESORT LIMITED

Unaudited Balance Sheet as at 31 December 2017

	Unaudited		Audited	
	31 Decemeber 2017		31 December 2016	
	£	£	£	£
Tangible Fixed Assets		109 630		93 916
Current Assets				
Inventory	123 862		53 804	
Trade & other receivables	1 262 989		807 851	
Cash at bank	144 913		127 369	
		<u>1 531 765</u>		<u>989 024</u>
Current Liabilities				
Trade & other payables	2 704 423			
		<u>2 704 423</u>		<u>2 167 100</u>
Current Assets less Current Liabilities:		(1 172 658)		(1 178 076)
Total Assets less Current Liabilities:		<u>(1 063 029)</u>		<u>(1 084 160)</u>
Capital & Reserves				
Share Capital		2 000		2 000
Retained Earnings	-	1 086 161	-	1 181 750
P & L Account		21 133		81 914
P&L Adj				13 676
		<u>(1 063 029)</u>		<u>(1 084 160)</u>

SUNBORN (GIBRALTAR) RESORT LIMITED

Statement of cashflow for Twelve Months to December 2017

	Unaudited YTD £
Operating profit	21 133
Adjusted for:	
Depreciation	79 668
Inventories (increase)/decrease	(70 058)
Other Creditors increase / (decrease)	537 322
Other Debtors (increase) / decrease	(455 138)
Cashflow from Operating activities	112 926
Interest paid	-
Servicing of finance	-
Taxation	-
Payments to acquire tangible fixed assets	(95 382)
Receipts from sale of fixed assets	-
Capital expenditure	(95 382)
Loans - net	-
Dividends	-
Funding	-
Net increase in Cash	17 544
Opening cash balance	127 369
Closing cash balance	<u>144 913</u>